

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6611**

**BILL NUMBER:** SB 340

**NOTE PREPARED:** Feb 14, 2011

**BILL AMENDED:** Feb 14, 2011

**SUBJECT:** Charity gaming.

**FIRST AUTHOR:** Sen. Kruse

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** (Amended) *Volunteer Ticket Agents:* The bill authorizes a qualified organization to use volunteer ticket agents (VTA) and specifies the conditions applying to the use of a VTA.

*Use of Charity Gaming Net Proceeds:* The bill specifies that charity gaming proceeds may be used to pay the salaries and benefits of a qualified organization's employees.

*Credit Card Purchases:* The bill authorizes a qualified organization to accept credit cards for certain sales occurring at an allowable event. It also prohibits the acceptance of credit cards or extending credit for the chance to play a game of chance or to purchase a licensed supply at an allowable event.

*Charity Gaming Adjusted Gross Revenue:* The bill excludes revenue from related activities occurring at an allowable event from the determination of a qualified organization's license renewal fee.

*Charity Gaming License Renewal Fees:* The bill provides that license renewal fees are capped at \$1,000 per event in the case of a license that authorizes multiple events or \$1,000 in the case of a license that authorizes a single event.

*Charity Game Night License Duration and Facilities:* The bill requires that an annual charity game night license must specify the dates of the permitted events. It specifies that an annual charity game night event is considered to begin at noon of the calendar day specified on the license and end at 11:59 a.m. of the immediately following calendar day. It provides that facilities and locations may not be used for more than three annual charity game night events per calendar week. It provides that a particular annual charity game night event is attributed to the calendar week in which the event is considered to begin. It excludes annual

charity game night events from the application of a statute prohibiting a location or facility to be rented for more than three calendar days for allowable events. It also specifies that the amount of the rent for facilities, locations, and personal property used for an annual charity game night event may not be based on the revenue generated from the event.

*Charity Game Night Card Dealing:* The bill allows patrons to deal the cards in card games conducted at a charity game night. (Current law allows patrons to deal only in euchre games.)

*Festival Duration:* The bill increases the number of days that a qualified organization can conduct charity gaming under a festival license from four to five days.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** (Revised) *Charity Game Night Card Dealing:* The bill allows a patron at a charity game night to deal cards in any type of card game without being considered a charity game night worker or operator under the charity gaming law. Current statute allows a charity game night patron to deal cards only in a euchre game. Otherwise, cards must be dealt by a charity game night worker or operator. The administrative impact on the Indiana Gaming Commission (IGC) due to this change is unknown. Any additional cost to the IGC due to this bill would be paid with revenue from the charity gaming excise tax and the charity gaming license fee.

*Background Information:* In FY 2010, the charity gaming excise tax generated about \$1.25 M and the charity gaming license fee generated about \$4.2 M. Revenue from these sources is distributed to the Charity Gaming Enforcement Fund. After (1) the costs of charity gaming administration are subtracted and (2) distributions are made to the License Control Division and the Gaming Control Division, revenue remaining in the Fund is distributed quarterly to the Build Indiana Fund.

**Explanation of State Revenues:** *Charity Gaming Adjusted Gross Revenue:* The bill excludes revenue derived from related activities of an allowable charity gaming event from charity gaming adjusted gross revenue. Charity gaming adjusted gross revenue is the basis for fees paid for annual and single-event charity gaming licenses. This could potentially reduce revenue from charity gaming license fees, with the revenue impact varying by license type. The precise reduction in revenue that may occur is indeterminable.

*Charity Gaming License Renewal Fees:* The bill caps license renewal fees at \$1,000 per charity gaming event for annual charity gaming licenses, and \$1,000 for a single-event charity gaming license.

(1) Assuming most, if not all, annual licensees are conducting at least one charity gaming event per week, the change will not affect revenue from annual licenses. All annual licenses allow events to take place either daily or up to three days per week.

(2) Based on gross revenue reports by single-event licensees in 2009, it's estimated that annual fee revenue from single-event licenses could be reduced by a minimal amount (<\$50,000).

(Revised) *Charity Game Night License/Festival License Duration:* The bill does the following:

(1) Changes the time frame for which a charity game night license applies. Currently, a charity game night license is good for three calendar days. The bill changes this time frame to three 24-hour periods running

from noon one day to 11:59 a.m. the next day. Depending on the start time of charity game night events, an organization could potentially operate charity game nights under a charity game night license for roughly one-half day more under the bill than it could under current statute.

(2) Increases from four to five the number of days that a qualified organization can conduct charity gaming under a festival license.

The longer operating period could potentially increase sales of pull tabs, punchboards, and tip boards and gross receipts earned by organizations conducting charity game nights or festivals. If the additional sales by such organizations don't displace spending on charity gaming events held by other organizations, the change in the bill could lead to an indeterminable increase in revenue from charity gaming license fees and the charity gaming excise tax.

*Background Information:* Charity gaming license fees are based on the adjusted gross revenue an organization derived from charity gaming during the prior year (for an annual license) or the prior charity gaming event (in the case of a single-event license). Under current statute, adjusted gross revenue is the total gross revenue from charity gaming events and related activities minus deductions for cost of prizes, certain supplies, license fees, advertising expenses, and up to \$200 per day for facility rent. The renewal fees range from \$50, if adjusted gross revenue is less than \$15,000, to \$26,000, if adjusted gross revenue is at least \$3 M. Current statute does not define "gross revenue from related activities." However, rules of the Indiana Gaming Commission (68 IAC 21-2-6(i)) specify that "sales of any goods, services, or other property sold in direct connection with or because of any gambling aspect of an allowable event must be included in gross receipts as a related activity for purposes of the qualified organization's renewal fee." While annual revenue reports by charity gaming organizations indicate that concession income overall represents less than 1% of total gross revenue, this percentage varies. Annual bingo licensees generate about 80% of the gross charity gaming revenue, with concession income of roughly 0.5% of the gross. Conversely, festival licensees generate only about 2% of the gross charity gaming revenue, but concession income totals about 20% of the gross.

Annual charity gaming licenses authorizing multiple events during the year are: (1) the annual bingo license, the annual charity game night license, the annual water race license, and the annual guessing game license, which allow up to three events per week; (2) the annual raffle license and the annual door prize license, which allow an event each day; and (3) the annual PPT license, which allows daily sales of pull tabs, punchboard chances, and tip board chances. Licenses authorizing a single event are: (1) the special bingo license, the raffle license, the door prize license, the water race license, and the guessing game license, which allow one event; (2) the charity game night license, which allows up to six one-night events; and (3) the festival license, which allows one festival of up to four days in length.

The annual charity game night license allows a bona fide civic, educational, political, religious, senior citizens, or veterans organization to conduct card games, dice games, roulette, spindle games, raffle drawings, and door prize drawings, and to sell pull-tabs, punchboards, and tip boards.

The festival license allows a bona fide civic, educational, political, religious, senior citizens, or veterans organization to conduct bingo, games conducted at a charity game night, raffle drawings, and door prize drawings, and to sell pull-tabs, punchboards, and tip boards for up to four consecutive days.

#### **Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Gaming Commission.

**Local Agencies Affected:**

**Information Sources:** Indiana Gaming Commission, Charity Gaming Annual Reports, 2000-2009, <http://www.in.gov/igc/2479.htm>. Auditor of State, *Revenue Trial Balance*, FY 2010.

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